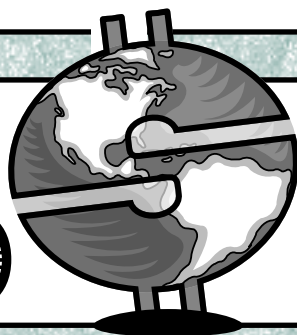


Your VESTED



INTEREST

North Dakota State Investment Board

September 2007

ANOTHER ONE FOR THE BOOKS

Fiscal year 2007 closed out on June 30, wrapping up a very successful year for the State Investment Board (SIB) program. As our readers know, the SIB oversees a Pension Trust with approximately \$4.1 billion in assets, most of which belongs to the Teachers' Fund for Retirement (TFFR) and the Public Employees Retirement System (PERS). As of June 30, TFFR was valued at \$2.0 billion while PERS accounted for \$1.9 billion. The remainder of the Pension Trust is invested on behalf of the City of Bismarck Employees Pension Plan (\$51.6 million), the City of Bismarck Police Pension Plan (\$24.1 million) and the Job Service North Dakota

Pension Plan (\$94.8 million). Exhibit 1 shows the participating plans and their proportional representation in the Pension Trust.

Each of the five plans participating in the pooled Pension Trust has its own specific asset allocation. This allows the funds to invest in various assets in proportions that are sensible for the individual plan. It also allows the asset mix to be sensitive to the underlying

liabilities of each participating plan. The Pension Trust maintains ten distinct asset classes and participating plans may choose to invest in any or all of the asset classes. By pooling the investments in each asset class, the Pension Trust is able to gain measurable economies of scale, as well as provide for broad diversification. Because each of the plans has its own asset allocation, and the

Continued on page 4

Exhibit 1
Pension Trust Participants

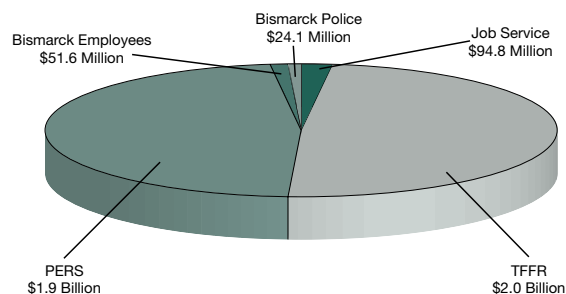


Exhibit 2
Pension Trust
Detailed Asset Allocation
June 30, 2007

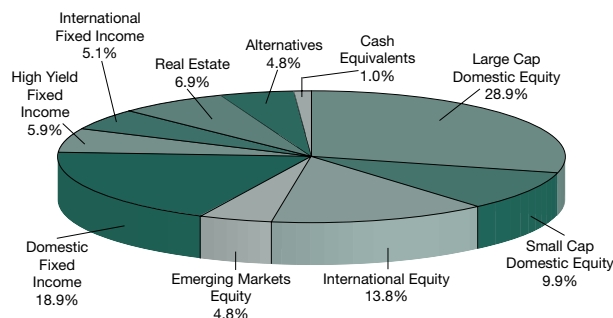
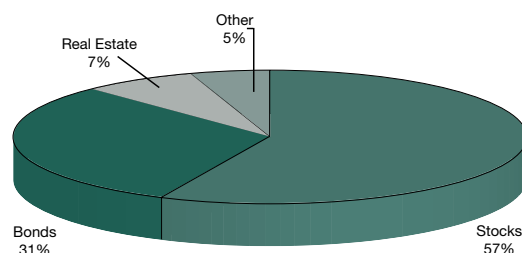


Exhibit 3
Pension Trust
Basic Asset Allocation
June 30, 2007



State Investment Board

Lt. Governor Jack Dalrymple, *Chair*
Howard Sage, *PERS Trustee, Vice Chair*
Sandy Blunt, *Workforce Safety & Insurance*
Clarence Corneil, *TFFR Trustee*
Mike Gessner, *TFFR Trustee*
Ron Leingang, *PERS Trustee*
Acting State Insurance Commissioner
Gary Preszler, *Land Commissioner*
Mike Sandal, *PERS Trustee*
Kelly Schmidt, *State Treasurer*
Bob Toso, *TFFR Trustee*

RIO Administrative Office

Steve Cochrane, *Executive Director/CIO*
Fay Kopp, *Deputy Executive Director/Retirement Officer*
Shelly Schumacher, *Editor*

ND Retirement and Investment Office

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www.nd.gov/rio

Articles are for general information only and are not intended to provide specific advice or recommendation. Other forms of this newsletter are available upon request.

FROM THE DIRECTOR'S CHAIR



*Steve Cochrane, CFA
Executive Director/CIO*

Fiscal Year 2007 was a very positive one from an investment performance perspective. Favorable market conditions domestically and internationally provided an environment that resulted in excellent returns. As depicted in Exhibit 4, the Pension Trust experienced a gross total return for the year of 20.15%. When we compare our performance to similar public pension funds, we find that our return ranked in the top 2% of the return universe as measured by

our investment consultant, Callan Associates. For the 3 year period ended June 30, we find that we also ranked in the top 2% of comparable funds. As the beat goes on, we recorded a top 3% ranking for the past 5 years, and for the 10 year period the Pension Trust was in the top 16% of public funds. Specific investment return information is shown on the chart which will give you a feel for the range of returns over various time frames.

The TFFR and PERS funds had similar performance. For the 12 months ended June 30, TFFR showed a net return of 20.04%, while PERS turned in an 18.96% net performance, ranking each fund high on the charts.

In the investment business, there are many different measures for risk. The most popular is risk defined by standard deviation, a measure of the volatility of the return. The higher the number for this measure, the more variable the return pattern was, and therefore,

the greater the risk. It is interesting to note on Exhibit 5 that our Pension Trust standard deviation was relatively moderate.

Taking this performance review one step further, we can calculate and plot the Sharpe Ratio, which indicates how much return we received per unit of risk undertaken. The higher the better, and you can see on Exhibit 6 that on a risk adjusted basis, the Pension Trust did quite well. For more information on this measure, Google "Sharpe Ratio" and you will find some very easy to follow explanations.

Now that you have reviewed this information, I must inject a note of caution. Asset performance is only one measure of the vibrancy of a pension plan. Liabilities vary from plan to plan and must be understood in order to analyze a fund's ability to pay or improve benefits. If you have questions regarding your plan, it is best to check with your plan administrator for a clear explanation of the total picture.



ACHIEVEMENT AWARD RECEIVED

The ND Retirement and Investment Office (RIO) is pleased to announce that its Comprehensive Annual Financial Report (CAFR) for June 30, 2006 has qualified for a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA).

The Certificate of Achievement is the highest form of recognition in public employee retirement system accounting and financial reporting, and its attainment represents a significant accomplishment. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

Exhibit 4

Total Fund Rankings Compared to Callan Database For Periods Ending June 30, 2007

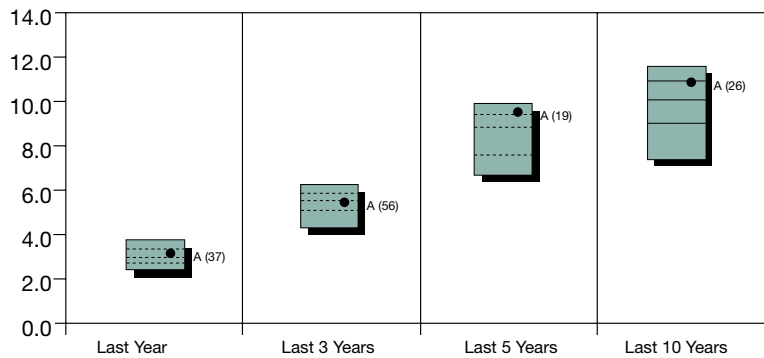
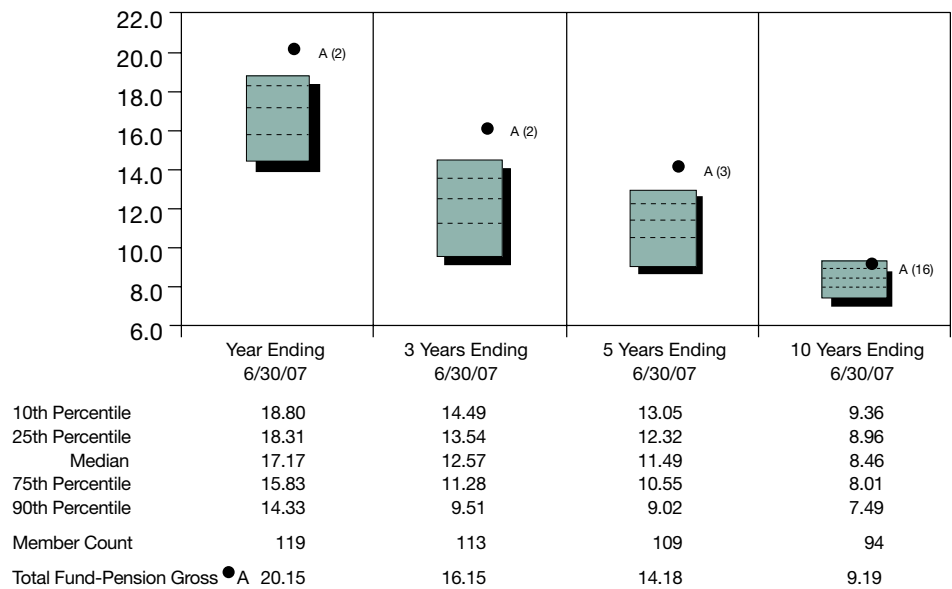


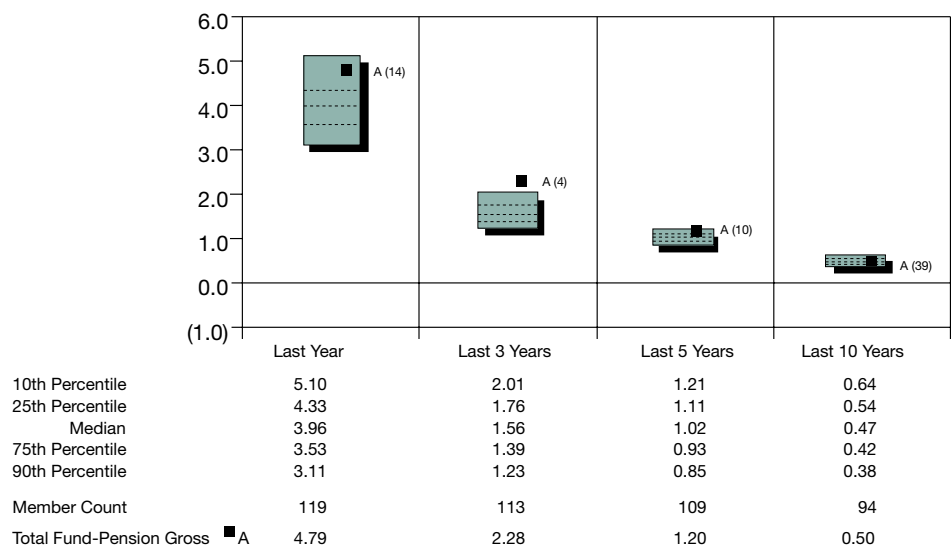
Exhibit 5

Pension Trust Standard Deviation Rankings Compared to Callan Database For Periods Ending June 30, 2007

10th Percentile	3.69	6.21	9.88	11.58
25th Percentile	3.30	5.81	9.40	10.91
Median	2.93	5.51	8.83	10.06
75th Percentile	2.62	5.04	7.55	9.01
90th Percentile	2.31	4.25	6.64	7.36
Member Count	119	113	109	94
Total Fund-Pension Gross	● A 3.12	5.43	9.52	10.86

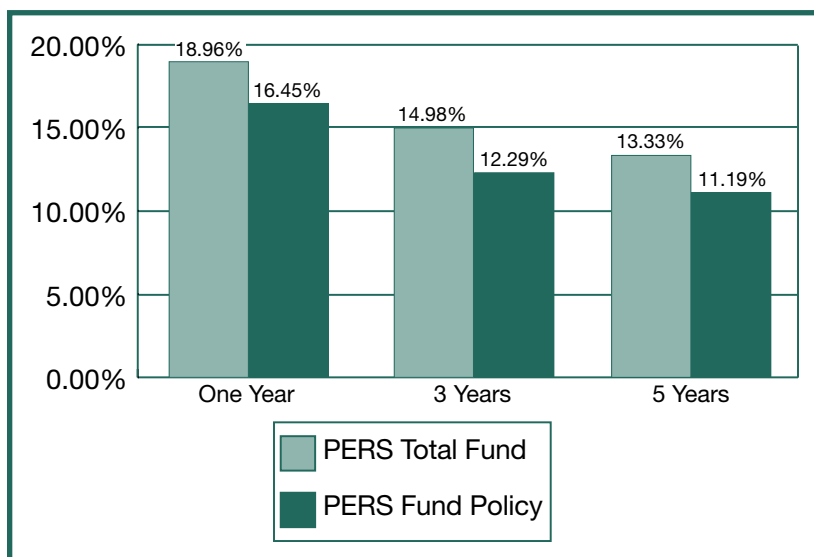
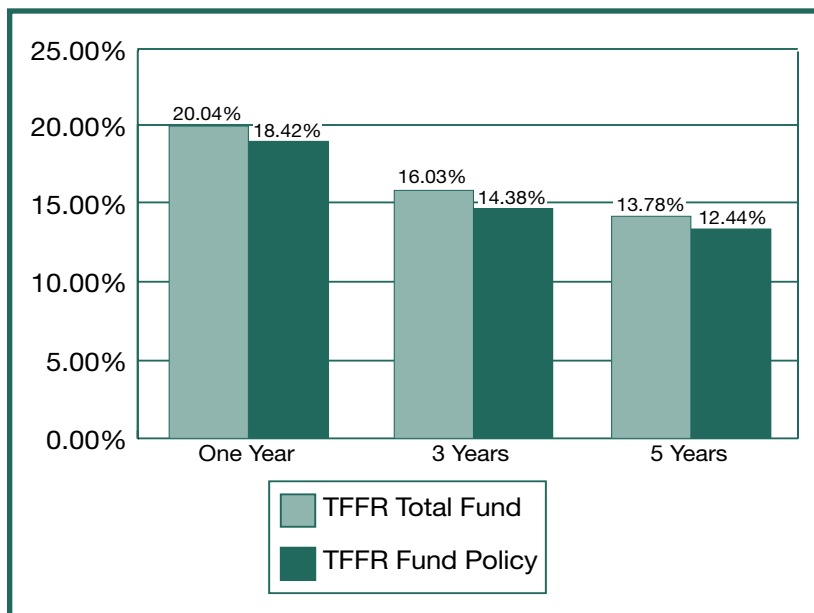
Exhibit 6

Pension Trust Sharpe Ratio Rankings Compared to Callan Database For Periods Ending June 30, 2007



NET INVESTMENT PERFORMANCE

Period Ends June 30, 2007



Target Asset Allocation - June 30, 2007

	TFFR	PERS
Domestic Large Cap Equity	28.0%	30.0%
Domestic Small Cap Equity	10.0%	10.0%
International Equity	18.0%	10.0%
Emerging Markets Equity	5.0%	5.0%
Alternative Investments	5.0%	5.0%
Domestic Fixed Income	12.0%	24.0%
High Yield Fixed Income	7.0%	5.0%
International Fixed Income	5.0%	5.0%
Real Estate	9.0%	5.0%
Cash Equivalents	1.0%	1.0%
TOTAL FUND	100.0%	100.0%

Another One For The Books

Continued from page 1

plans are pooled for investment purposes, the asset allocation of the Pension Trust becomes the weighted average asset allocation of the five plans.

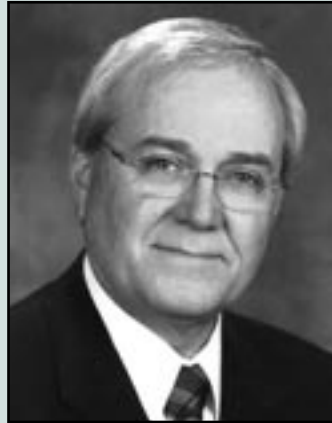
Exhibit 2 shows how the Pension Trust was invested as of June 30, 2007. You will notice that some types of investments, such as stocks, are subdivided into more specific "buckets" such as Large Cap Domestic Equity and Small Cap Domestic Equity. The word equity represents ownership and is an investment industry term for stocks. If we aggregate all equity exposures which also include International Equity (stocks of non-US companies in developed markets) and Emerging Markets Equity (stocks of non-US companies in less developed markets), we find that about 57% of the Pension Trust is invested in various types of stocks. We can aggregate the fixed income exposures as well, and see that about 31% of this portfolio is in bonds, or bond-like investments. Exhibit 3 illustrates this basic breakdown of the asset class exposures.

Real estate is fairly self-explanatory, and for the most part, represents investments in office buildings, industrial parks, multi-family housing, and retail establishments. "Other" refers to alternative investments which are included in the total asset mix to provide diversification and some attractive potential return opportunity. Examples of investments in this category include energy related holdings, distressed debt, and venture capital commitments.

The SIB has been actively managing the portfolio this past year. Among the new commitments are investments in infrastructure, European and Far East real estate, energy, and global financial services.

NEW SIB MEMBERS

The SIB would like to welcome Bob Toso and Mike Sandal to the board. Mr. Toso is the superintendent of Jamestown Public Schools and represents TFFR on the SIB. Mr. Sandal is employed by the North Dakota Supreme Court and represents PERS on the SIB.



Bob Toso



Mike Sandal

IN APPRECIATION



Mark Sanford

Special thanks to Mark Sanford for 15 years of dedicated service on the State Investment Board. We congratulate you on your retirement from Grand Forks Public Schools and wish you many happy and fulfilling retirement years.

Thank you to former State Insurance Commissioner Jim Poolman for his years of service on the State Investment Board. Also, much appreciation to Rosey Sand for her service on the State Investment Board.



Jim Poolman



Rosey Sand

SIB AUDIT COMMITTEE

The Audit Committee is the only standing committee of the SIB. This committee is authorized to develop and direct the internal audit program for the Retirement and Investment Office (RIO).

The Audit Committee meets regularly to conduct business and contributes to the overall sense of fiscal security that RIO strives to maintain in its role as administrator of the State Investment Board and Teachers' Fund for Retirement programs.

The SIB Audit Committee consists of five members – three from the SIB and two independent participants. Current members include Mike Gessner, representing the Teachers' Fund for Retirement; Ron Leingang, representing the Public Employees Retirement System; and Jim Long, Workforce Safety & Insurance, representing elected and appointed officials. Lonny Mertz, Job Service North Dakota and Rebecca Dorwart, MDU Resources Group, Inc., serve as independent participants on the Committee.

SIB OFFICERS ELECTED

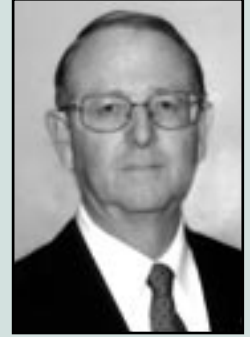
The State Investment Board (SIB) recently held its annual election of officers. The SIB chose the following members to hold leadership positions for the 2007-2008 fiscal year.



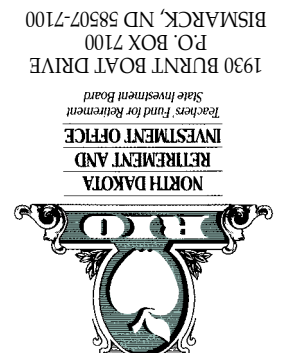
Lt. Governor
Jack Dalrymple
Chairman



Howard Sage
Vice-Chair



Clarence
Corneil
Parliamentarian



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